

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Senate Bill 1694

Senator Ortiz (As amended 8/7/00)

Position:

Support

Proponents:

State Department of Education (sponsor), ACSA, AFSCME, CFA, CTA

Opponents:

None known

SUMMARY

SB 1694 allows a member of the California State Teachers' Retirement System (CalSTRS) who becomes employed by the State Department of Education (DOE), and a state member of the California Public Employees' Retirement System (CalPERS) who is employed by DOE who becomes employed to perform service that requires membership in the Defined Benefit (DB) Program, to elect to be excluded from membership in the other system, and continue to have his or her service subject to the retirement system of which they currently are a member. The bill also requires the filing of an election form with CalSTRS within 60 days of the member's date of hire in the position requiring membership in the DB Program.

HISTORY

Chapter 954, Statutes of 1975 (AB 1105—Deddeh) allowed state employee CalSTRS members a one-time election of CalPERS membership, in lieu of CalSTRS. This election was deemed necessary due to the Total Equivalent Compensation (TEC) Act of 1974, which established additional benefits for state employees covered by CalPERS. This one-time election was the alternative provided to those members who requested benefit parity after the passage of the TEC Act.

AB 2916 (O'Connell, 1994), vetoed by the Governor, would have provided certain CalSTRS members who are subsequently employed to perform service with specified state agencies to elect to remain in CalSTRS. The Governor's veto message stated the bill would have inequitably provided a more costly benefit to a select group of employees and should be subject to collective bargaining.

Chapter 838, Statutes of 1997 (SB 227—Solis) permitted vested CalSTRS members who were employed by a community college district and who subsequently became employed by the Board of Governors of the California Community Colleges to perform duties that require membership in a different public retirement system (e.g., CalPERS) to elect, in writing within 60 days after the individual's entry into the new position, to remain in CalSTRS.

AB 649 (Machado) allows a CalSTRS member who became employed by the state in a specific bargaining unit to elect to retain membership in the DB Program. The bill also converts unused educational leave to service credit for specified state employees covered by the DB Program who retired on or after January 1, 2000. The Teachers' Retirement Board (Board) adopted a position of Neutral on AB 649, if the bill is amended to authorize educational leave credits and the conversion to service credit to be available statewide to all DB Program members, subject to payment by the employer and/or member.

SUMMARY OF LATEST AMENDMENTS

The August 7 amendments

- Limit the availability of the membership election to DOE employees
- Provide that a membership election form must be filed with the system within 60 days after the member's date of hire
- Provide that the election is effective as of the date the election is filed with the system.

CURRENT PRACTICE

A school employee who is a member of the DB Program and who becomes employed by the same or a different school district, community college district or county superintendent of schools to perform service that requires membership in another public retirement system (e.g. CalPERS) may elect to have that service in the new position covered under the DB Program. Alternatively, a school member of CalPERS who changes jobs and performs service which is creditable under the DB Program may elect to have such service credited under CalPERS.

This CalSTRS/CalPERS election initially was a reciprocal provision that was available to employees who change employment in positions only within the California local public school system. This changed with Chapter 838, Statutes of 1997 (SB 227—Solis), which allowed a vested CalPERS member who was employed by the Board of Governors of the California Community Colleges and who subsequently was employed by a community college district to perform duties that required membership in a different public retirement system (e.g. CalSTRS) to elect in writing within 60 days after the individual's entry into the new position to remain in CalPERS. It also permitted a vested CalSTRS member who subsequently was employed by the Board of Governors to elect to remain in CalSTRS. Chapter 838 also authorized the member to elect by March 1, 1998 to return to CalSTRS, provided the change in employment occurred between July 1, 1991 and January 1, 1998, and that CalPERS transferred to actuarial value of assets in the member's account to CalSTRS.

DISCUSSION

- Allows a *CalSTRS* member who becomes employed by the DOE in CalPERS-covered work to elect to remain a *CalSTRS* member, instead of becoming a CalPERS member;
- Allows a CalPERS member employed by the DOE, who becomes employed to perform work requiring membership in the DB Program, to elect to have that subsequent work credited with *CalPERS*;
- Specifies that the election is effective as of the date the election is filed with the system, within 60 days of the date of hire.

A similar bill, AB 649 (Machado), allows a CalSTRS member who became employed by the state in certain bargaining units, prior to the effective date of the bill, to elect to retain membership in the DB Program. Current state employees who were vested members of CalSTRS and who were required to be members of the state employee CalPERS Tier II plan could elect to return and remain in the DB Program. At its July meeting, the Board adopted a position of neutral on AB 649, if the bill is amended to authorize educational leave credits and the conversion to service credit to be available statewide to all DB Program members, subject to payment by the employer and/or member.

FISCAL IMPACT

Benefit Program Costs – Any change in liability would depend on which retirement system members elected to participate in. Any increase in liability to CalSTRS, however, would be offset by increases in contributions.

Administrative Costs – Minor, if any, impact.

POSITION

Support. SB 1694 enhances the ability of a CalSTRS member to elect continued coverage under CalSTRS to members who are employed by the DOE. SB 1694 also extends to certain state employees an opportunity given to employees of other public education agencies to elect to stay with their retirement system, or change to another.